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FOR IMMEDIATE RELEASE:

**10 INDICTED IN \$2 MILLION MORTGAGE FRAUD SCHEME,
INCLUDING LOCAL BUSINESSMEN AND POLICE**

PRESS RELEASE

Susan W. Brooks, United States Attorney for the Southern District of Indiana, announced that the following individuals have been charged by a federal grand jury sitting in Indianapolis in a 66-page, 101-count indictment for conspiracy, wire fraud and money laundering following a two-year joint investigation by agents of the FBI, Internal Revenue Service and United States Postal Inspection Service working as part of the Mortgage Fraud Task Force organized in 2002 by the United States Attorney's Office:

KENNETH MCKINNEY, 38, Indianapolis;
PAMELA MARTINEZ, 35, Minneapolis, MN;
JOSEPH BRITTON, 45, Indianapolis;
MARK SPECKMAN, 46, Indianapolis;
VALERIE MCNAIR, 43, Marion, Ind.;
PATRICIA WILCOX-MCCLUNG, 37, Kokomo, Ind.;

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MICHAEL C. SMITH, 44, Indianapolis;
JAMES MCCLUNG, 34, Indianapolis;
ROBERT CARTER, 34, Marion, Ind.;
DARRAL STANLEY, 40, Marion, Ind.

The indictment is similar to several such cases brought by the United States Attorney over the past three years, alleging a conspiracy to defraud lending institutions by “flipping” residential properties. The indictment alleges the purchase of inexpensive homes in Marion, Fairmount and Indianapolis, followed by fraudulent appraisals and loan applications designed to convince banks to lend far more money than the houses were worth for subsequent purchases, and a pocketing of the excess loan proceeds. Borrowers in the scheme would then quickly default on the mortgages and the bank would be left with virtually worthless collateral. First Bank, Inc., of Louisville, Kentucky, which **alleges a loss of several** million dollars in the scheme **announced its sale last month.**

MCKINNEY and MARTINEZ are real estate brokers operating American Savings Mortgage (ASM). The indictment alleges that ASM transmitted fraudulent documents to lenders. WILCOX-MCCLUNG and MCNAIR operated V.P. Development in Marion and recruited buyer/borrowers to the scheme; BRITTON and SPECKMAN are Indianapolis real estate investors operating Aspen Group, Home Source Investment and Pacific Group, LLC. The indictment alleges they would purchase broken-down homes at fair market value and resell them after inflated appraisals, sharing in the proceeds of the illegally obtained loans. SMITH is a licensed real estate appraiser who is alleged to have provided fraudulent appraisals that were critical to the scheme; MCCLUNG and CARTER were buyer/borrowers who

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purchased the properties and received cash back after the closings from the excess loan proceeds. MCCLUNG is alleged to have executed 13 such purchases on the same day in 2002. SMITH and MCCLUNG are police officers for the city of Indianapolis; CARTER is a police officer for the city of Marion.

U.S. Attorney Brooks, who noted that the Mortgage Fraud Task Force has successfully prosecuted more than 30 people for similar crimes during her tenure, said, "While these are complex paper cases, the real victims are the residents of the neighborhoods who suffer from this classic example of the broken window theory -- when houses are abandoned and boarded up, crime moves in."

According to Assistant United States Attorney Mark Massa, who is prosecuting the case for the government, the defendants face a maximum possible prison sentence of 30 years and a maximum possible fine of \$1,000,000. An initial hearing is scheduled for February 8, 2005 at 9:30 a.m. before U.S. Magistrate Judge Kennard Foster.

The indictment is an allegation only, and the defendant is presumed innocent unless and until proven guilty at trial or by guilty plea.

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